

the banks. There was no apparent reason why advances should not be made in this manner to meet all the demands of the war without impairing the solvency of the Eastern banks. Fears were expressed in some quarters that the coin would gradually be absorbed by the Western banks, some of which were on a rather shaky foundation and had issued notes secured by the bonds of the seceded States. This evil had not begun to operate, however, before Secretary Chase again began to put in circulation a mass of demand notes issued directly by the government.

The Secretary did not long respect his assurances to the banks. The promise was given in August and heavy issues of notes took place in November. They were not cordially received as a means of circulation and were largely presented to the sub-treasuries for redemption in coin. The Treasury had little coin except that drawn from the banks, and the coin reserves of the latter now began to decline without any signs of recuperation. The specie in the New York banks, which was \$49,733,990 on August 1st and \$42,318,610 on December 1st, fell to \$29,357,712 on December 28th. A conference was held with Secretary Chase and he was assured that the Treasury notes could not be received by the banks at par with coin and that their steady infusion into the currency would send gold to a premium as well as create an inflation of the paper circulation which would drag down the value of bank-notes in the same manner as the Treasury notes. The Secretary stubbornly refused to change his policy and the banks voted to suspend specie payments on Monday, December 31st.¹ The government necessarily followed

¹ Prof. Sumner seems to ignore the effect of the government issues of the demand notes and declares that the banks suspended, "without any earnest attempts to avoid it, and certainly without any necessity.*" —History of American Currency-, 194. Secretary Chase, on the contrary, did not appear to blame the banks, but declared that unexpected military delays had increased expenditures, and diminished confidence in public securities, and that "These conditions made a suspension of specie payments inevitable."—Report on the Finances^ 1862, 7.